

VZCZCXRO6706
RR RUEHROV
DE RUEHKH #0480/01 0541619
ZNR UUUUU ZZH
R 231619Z FEB 06
FM AMEMBASSY KHARTOUM
TO RUEHC/SECSTATE WASHDC 1612
INFO RUCNIAD/IGAD COLLECTIVE
RUEHKE/AMEMBASSY KINSHASA 0014
RUEHGI/AMEMBASSY BANGUI 0018

UNCLAS SECTION 01 OF 02 KHARTOUM 000480

SIPDIS

SIPDIS, SENSITIVE

E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [PGOV](#) [EAID](#) [EAGR](#) [SOCI](#) [SU](#)

SUBJECT: BUDDING ENTREPRENEURSHIP IN SOUTH

KHARTOUM 00000480 001.2 OF 002

11. (U) Summary: On February 17, CG Juba met with four representatives of the South Sudan Chamber of Commerce, Industry and Agriculture (SSCCIA) to review efforts to build a business base in the South. They described the weaknesses of the private sector, including lack of capacity, absence of entrepreneurial skills, and limited access to credit. They described their efforts to create a commercial network in the South - and to keep northern Arabs out of it - and requested a review of USG sanctions that negatively effect business in the South. End Summary.

Private Sector the Key, but Many Problems

12. (U) Ngor Ayuel, Chairman of SSCCIA, William Warigo Moro, outgoing Chairman, and Board members Lotigo Samuel and Santino Tito Tipo met with CG Juba February 17 to present a copy of the SSCCIA constitution and the body's work plan for the next year. They explained that First Vice President Katherine Loria - the constitution stipulates that this position must be filled by a woman if the chair is a man - was out of town on business, a propitious sign. They expressed their thanks to the USG and the American people for helping bring peace to Sudan and development to the South. They expressed appreciation for the establishment of an American Consulate in Juba, and for USAID's assistance in starting SSCCIA.

13. (U) Ayuel pointed out that the weakest institution in Southern Sudan is the private sector. There exists a surfeit of soldiers, politicians, and bureaucrats, but few entrepreneurs. No business culture had existed for many years. Ayuel blamed this on Northerners who dominated Juba politically but had no interest in promoting local business growth.

14. (U) He continued that this must change if the South is to truly develop. The GoSS and all levels of local government can create 500,000 jobs for a population of ten million, but this would not be enough. (Note: Half a million government jobs would be an astronomical number. End note.) The private sector could be the only mechanism for creating sufficient employment to absorb excess labor capacity that would result from demobilization of a large portion of the SPLA. Without private sector job creation, there could be no solution to the socio-economic problems of the South.

The Blueprint for Growth

15. (U) Moro explained that the SSCCIA aspires to create a business information network and Chamber of Commerce affiliates in every state. Ultimately, it hopes to build a business center in Juba and each state capital with reliable communications links with the interior and outward to other countries that are the sources of potential investment. Moro said that the SSCCIA had "several hundred" members and had just affiliated with the previously separate Yei Chamber of Commerce, which numbers ninety-eight. The critical mass for admission of a new affiliate had been set at fifty. He concluded that the CCSSIA had started at zero, but was gradually gaining strength. Ultimately, it hopes to place an expatriate expert in the Chamber for a year to assist with building outside linkages.

The Northern Problem

16. (U) In response to CG's query, Ayuel said that no Arab traders from the North had expressed a desire to join the SSCCIA, "and we like it that way." He cited the record of the North in dominating commerce in the South, in the process elbowing southerners aside. He charged that the Arabs were interested only in trade, not production or investment, and that profits went back to building villas and industries in Khartoum. Unlike Asian traders from East Africa, the northern Arabs refused to hire any but their own to work in their shops. He concluded that the Arabs had conspired to destroy what little agro-industry existed in the South, such as Anzara Cotton, a parastatal once operating in Western Equatoria. Khartoum had starved it of capital and ultimately moved industrial cotton production north to benefit Arab farmers on irrigated lands in Gezira State. Moro said that the

KHARTOUM 00000480 002.2 OF 002

exception was Haggard Holdings from Khartoum, which would be warmly welcomed in the South, since the company had a good past record of investment and job creation with fair compensation.

Sanctions

17. (U) The SSCCIA representatives said that they understood the rationale for USG sanctions but felt that in some cases the South was suffering unfairly for the actions of the North. Tipo, who imports drugs and hopes to begin the manufacture of pharmaceutical products, said that sanctions created problems in the importation of raw materials and some finished products. He said that the same problems existed in the agricultural and petroleum sectors, to the detriment of both the South and outside investors. The group said that a review of existing sanctions with a gradual lifting of those that penalized the South would be the ideal approach.

Corruption and Regulation

18. (U) CG said that it was hard to imagine successful sustainable development of the South without creation of a vital private sector. Donor resources could provide impetus, but only local production could guarantee long-term growth. The role of the SSCCIA should clearly be to identify and pursue business opportunities and outside investment, but there were other important responsibilities as well. For business to flourish, the regulatory environment must be business friendly. The SSCCIA could play a key role in monitoring the

establishment of a regulatory framework and intervening if there were developments that were inimical to the business climate.

¶9. (SBU) Official accountability was also key. Legitimate foreign investors are skittish about countries where corruption flourishes, but the sort of investors that bend the rules tend to come in droves. It would be important for the local business community to weigh in when they discover that bad business practices are in play. Ayuel said that the SSCCIA agrees, and that they stand ready to both approach the government and to inform us discreetly if questionable dealings between business interests and government officials come to light.

Comment

¶10. (SBU) The SSCCIA seems to be a serious group, if at times a bit bureaucratic in approach. The near total lack of capital is a serious challenge compounded by the lack of entrepreneurial vision and energy that Ayuel described. At present, the fresh vegetables that feed hundreds of humanitarians and GoSS officials housed in the various camps and compounds of Juba are flown in from Nairobi and elsewhere in Kenya at very high cost, but no local concern has thought to start vegetable gardens near the Nile to offer competing produce at a lower price. An American has reportedly come up with a plan to bottle water from a spring near Rumbek to compete with imported Ugandan bottled water that costs over a dollar a liter. There are even relatively few kiosks and roadside stands run by micro-entrepreneurs, a fixture in many African countries.

¶11. (SBU) This may be starting to change at a very basic level. Yei is awash with small commerce, perhaps influenced by Uganda nearby. The return of refugees and IDPs and the arrival of a host of NGOs have sparked a building boom in Juba. Local residents are enthusiastically rooting field stones out of the ground to pile by the road for sale to passing truckers, who in turn sell this material for stone masonry construction. Mud brick manufacture has become a cottage industry to supply the building material for the hundreds of tukuls springing up as southerners return.

¶12. (U) The IVP program, the International Executive Service Corps, and various other small but effective programs could conceivably help encourage and strengthen the fledgling SSCCIA.

HUME